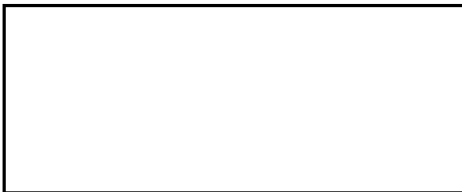


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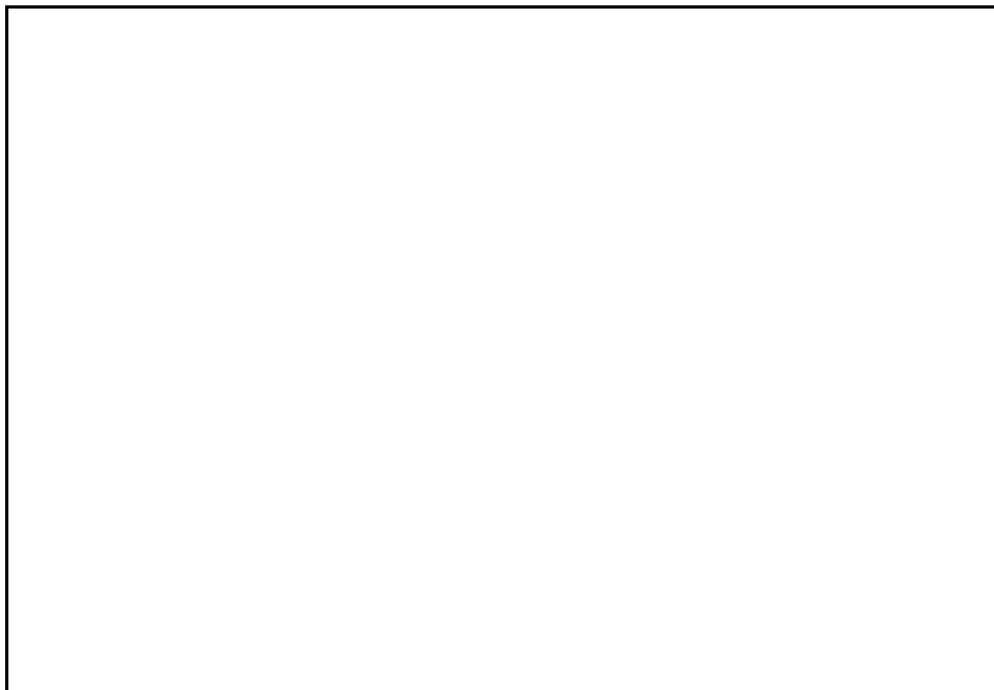
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DIA and DOS review(s) completed.

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**3. ICELANDIC FINANCE MINISTER SAYS NO SOVIET
ECONOMIC AID YET OFFERED**

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The Icelandic minister of finance categorically told the US embassy on 4 October that the USSR had not as yet made any offer of economic assistance, but that he "feared" such an offer would

be forthcoming if Iceland could not obtain loans elsewhere for its economic development program. The American embassy suspects that the reports of such Soviet offers have been plants.

The embassy also sees some evidence that the Icelandic Communists are not entirely sealed off from foreign affairs, despite the Foreign Ministry's claims to the contrary.

Comment

The Icelandic government, with a view to offsetting the loss of foreign exchange from a curtailment of activities at the Keflavik air base, has been seeking foreign loans to underwrite the government's ambitious economic development program, which in itself is designed to offset the loss of the NATO base. So far it has not met with any success.

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4. TOP HUNGARIAN PARTY LEADERS TO VISIT BELGRADE

25X1A Comment on:

[REDACTED]

Belgrade's announcement on 5 October--the day Tito returned from a conference with Soviet leaders in Yalta--that five of the top-ranking Hungarian Communist leaders will pay an official visit to Yugoslavia starting on 15 October suggests that for the present there is to be no explosion in Soviet-Yugoslav relations and no harsh crackdown on the Satellites. Tito may have succeeded to some extent in convincing Soviet leaders that de-Stalinization and "democratization" must not be wiped out in the Satellites, and may have agreed to cooperate with the USSR in holding the liberalization program to a more controlled pace in Hungary and Poland.

The guidelines for the forthcoming talks undoubtedly were laid down in conversations between Tito and Hungarian party first secretary Gero in the Crimea, although Gero reportedly requested an invitation two months ago to send a high-level delegation to Yugoslavia. Gero's trip as head of the delegation will serve the purpose of paying public homage to Tito, as did Hungary's ceremonial reinterment on 6 October of Laszlo Rajk, the former Titoist and "national deviationist." Besides its many efforts to overcome obstacles in its relations with Yugoslavia, Hungary has shown an inclination to adopt a more nationalistic domestic policy and on more than one occasion its leaders have referred to the Yugoslav example as a highly commendable pattern to follow.

The inclusion in the delegation of "moderate" members of the Hungarian party may be designed to prove to Tito that liberalization in Hungary is a reality and need not include the further step of rehabilitating Imre Nagy, as Yugoslavia has been urging. [REDACTED]

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[REDACTED]

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 7 October)

The Israeli press reported that the Jordanian National Guard was reinforcing its positions along the Israeli frontier near the place where five Israelis were killed on Thursday and that apparently Jordan expected a "retaliatory" raid by Israel. [REDACTED]

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The intelligence chief of the Jordan Arab Army told the American military attaché that during the night following the latest ambush on Israeli civilians, there was heavy troop movement in Israel's central and southern military commands, particularly opposite the Jordanian police post at Safi, as well as unusual air reconnaissance by the Israeli forces over this post and Jerusalem. The Jordanian intelligence chief said the Arab Army and its air force were on alert status in expectation of Israeli retaliation. [REDACTED]

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Iraqi prime minister Nuri Said outlined to the American ambassador the present plans for sending Iraqi troops and supplies into Jordan after learning from the ambassador that Israel would probably offer no difficulties if these movements were limited in numbers and remained east of the Jordan River. Nuri indicated that within ten days he hoped to begin moving supplies and guards, equipped with defensive weapons only, into Jordan. The present plans call for one battalion of Iraqi troops based in Iraq near the Jordanian border; one battalion to be distributed as stationary guards at several stockpiling points, including Mafrag, Jordan; and another force of battalion strength to be used as a patrol moving between these points. Nuri said he was also sending another thousand rifles and a half million rounds of ammunition to Jordan in addition to the thousand rifles and million rounds of ammunition already sent.

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[REDACTED]

The chief of Palestinian affairs in Egypt's Ministry of Defense told an American embassy official that Israeli retaliatory raids were not primarily the result of specific

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border incidents but rather depended on external political factors which the Israeli government and public opinion incorrectly interpreted as having an impact on their security. He said he feels the current tension on the Jordanian-Israeli border is probably related to the Suez problem. The Egyptian official said that Cairo definitely opposed referring the latest Jordanian border incidents to the Security Council, as this might give Israel an opportunity to introduce its views on the Suez issue and thereby inject political issues into the negotiations.

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